

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

**Registered Entity Identifier Code (optional):** 18-359

**Organization:** The Board of Trade of the City of Chicago, Inc. ("CBOT")

**Filing as a:**  **DCM**  **SEF**  **DCO**  **SDR**

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 09/17/18 **Filing Description:** Increase of Position Limits and Accountability Levels of Three (3) Black Sea Corn (Platts) Futures and Options Contracts

**SPECIFY FILING TYPE**

**Please note only ONE choice allowed per Submission.**

**Organization Rules and Rule Amendments**

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:**

**New Product**

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input checked="" type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/>            | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/>            | Approval  | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/>            | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/>            | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/>            | Notification  | § 40.6(d)            |

**Official Name(s) of Product(s) Affected:** See filing.

**Rule Numbers:** See filing.

September 17, 2018

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
 Office of the Secretariat  
 Commodity Futures Trading Commission  
 Three Lafayette Centre  
 1155 21st Street, N.W.  
 Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Increase of Position Limits and Accountability Levels of Three (3) Black Sea (Platts) Corn Futures and Options Contracts.  
 CBOT Submission No. 18-359**

Dear Mr. Kirkpatrick:

The Board of Trade of the City of Chicago, Inc. (“CBOT” or “Exchange”) is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to the spot month position limits and accountability levels of three (3) Black Sea Corn (Platts) futures and options contracts (the “Contracts”) as noted in the table below effective on Monday, October 1, 2018 for trade date Tuesday, October 2, 2018 and commencing with the March 2019 contract month and beyond. There is currently no open interest in the affected contract months.

Contract Title	Rulebook Chapter	Commodity Code	Contract Size	Contract Units	Aggregate Into Futures Equivalent	Current Spot month limits	Proposed Spot month limits	Current Accountability levels (Single Month and All Month)	Proposed Accountability levels (Single Month and All Month)
Black Sea Corn Financially Settled (Platts) Futures	10C	BCF	50	Metric Tons		600	600 (Jun/July), 3,000 all other months	1,200	3,000
Black Sea Corn Financially Settled (Platts) Half Month Futures	10D	BCH	50	Metric Tons	1 BCH : 1 BCF	600	600 (Jun/July), 3,000 all other months	1,200	3,000
Options on Black Sea Corn Financially Settled (Platts) Futures	10E	BSO	50	Metric Tons	1 BSO : 1 BCF	600	600 (Jun/July), 3,000 all other months	1,200	3,000

The Exchange is implementing seasonal spot month position limits to the Contracts to appropriately reflect seasonality in the underlying physical market.

The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the CBOT Rulebook (the “Table”) will be amended to reflect the increased spot month position limits of the Contract (See Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the CBOT Rulebook with additions underscored and deletions overstruck (attached under separate cover.)). Exhibit B, also provided under separate cover, provides a blackline of the Table effective July 31, 2019. Exhibit C below provides an updated cash market overview and analysis of deliverable supply for the Contracts.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the rule amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying physical markets, the Contracts are not readily susceptible to manipulation.
- **Position Limitations or Accountability**: The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission’s guidance.
- **Availability of General Information**: The information contained herein will be disseminated to the marketplace via a Market Surveillance Notice. The Exchange will publish information on the Contracts’ specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective October 2, 2018)  
Exhibit B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the CBOT Rulebook (attached under separate cover) (Effective February 28, 2019)  
Exhibit C: Cash Market Overview and Analysis of Deliverable Supply

**Exhibit A**  
**Position Limits, Position Accountability and Reportable Level Table**  
**in Chapter 5 of the CBOT Rulebook**

(attached under separate cover)

(Effective October 2, 2018)

**Exhibit B**  
**Position Limits, Position Accountability and Reportable Level Table**  
**in Chapter 5 of the CBOT Rulebook**

(attached under separate cover)

(Effective February 28, 2019)

**Exhibit C**  
**Cash Market Overview and Analysis of the Deliverable Supply**

**Cash Market Overview Black Sea Corn**

The underlying Black Sea Corn futures contracts are financially settled which settle against price assessments published for “FOB Black Sea corn (Ukraine)” by Platts.

In its cash market and deliverable supply analysis, the Exchange has incorporated data from a range of sources as described below.

The **US Department of Agriculture (“USDA”)**, is the department of the US Government responsible for agricultural markets. Its Foreign Agricultural Service collates and publishes data on global agricultural markets.

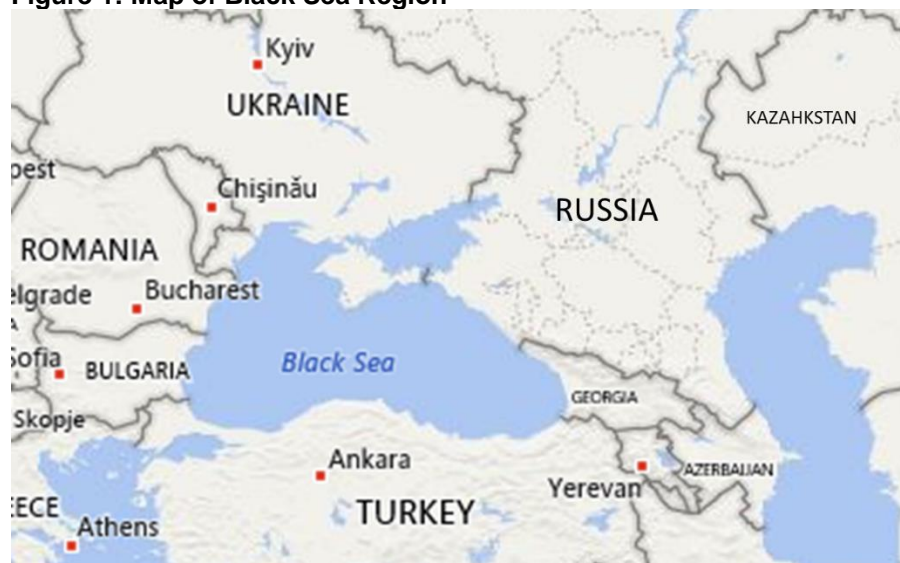
**Eurostat** is the statistical service of the European Union. It compiles and consolidates data collected by the statistical authorities in each EU member state. In addition, Eurostat ensures that all parties are employing the same methodology in collecting and reporting data.

The **UN Comtrade Database** provides free access to detailed global trade data. UN Comtrade is a repository of official trade statistics and relevant analytical tables. It contains annual trade statistics starting from 1962 and monthly trade statistics since 2010.

**Platts is a division of S&P Global.** It is a leading price information provider for commodity products around the world. Platts’ assessment methodology for Black Sea Corn is available on its website, as described below. CME Group is a party to license agreements with Platts to utilize their pricing data and use the pricing data in the settlement of these contracts.

The Exchange launched futures contracts based on corn produced and delivered from the Black Sea region. The Black Sea is bordered by Russia, Ukraine, Romania, Bulgaria, Turkey and Georgia, and contains major grain seaborne export ports for grain produced across a wide area, including much of Southern Russia and Kazakhstan.

**Figure 1: Map of Black Sea Region**



source: Bing maps, www.bing.com

Ukraine is the main producer and exporter of corn in the region, as can be seen in Tables 1 and 2 below. The USDA provides corn production data for some countries in the region. Production data for Romania and Bulgaria is provided by Eurostat.

**Table 1: Black Sea Regional Corn Production**

Thousand Metric Tons

	2014/2015	2015/2016	2016/2017	2017/2018
Kazakhstan <sup>A</sup>	664	734	762	785
Russia <sup>A</sup>	11,325	13,168	15,305	13,229
Turkey <sup>A</sup>	4,800	6,200	5,500	6,000
Ukraine <sup>A</sup>	28,450	23,333	28,000	24,115
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Bulgaria <sup>B</sup>	3,141	2,709	2,278	2,610
Romania <sup>B</sup>	11,989	9,021	10,746	14,841
Total	60,369	55,165	62,591	61,580

Notes: A: data source: USDA, corn production, data on an October-September local marketing year basis (September-August for Turkey, July-June for Kazakhstan)<sup>1</sup>

B: data source: Eurostat, grain maize and corn-cob-mix production, data on a calendar year basis<sup>2</sup>

<sup>1</sup> See USDA grains data at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads>

<sup>2</sup> Eurostat Crop Statistics database apro\_acs\_a available at <http://ec.europa.eu/eurostat/data/database>

**Table 2: Black Sea Regional Corn Exports**

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	1,828.8	1,175.6	1,318.1	989.0
Georgia	26.3	16.9	6.1	n/a
Kazakhstan	25.8	27.6	22.5	35.0
Rep. of Moldova	422.1	237.4	254.0	282.7
Romania	3,630.3	5,062.7	3,382.1	3,722.6
Russian Federation	3,487.2	3,695.3	5,319.9	5,175.7
Turkey	51.2	62.9	28.4	109.3
Ukraine	17,546.3	19,043.9	17,283.1	19,387.4
Total	27,017.9	29,322.3	27,614.1	28,712.7

data source: UN Comtrade Database<sup>3</sup>

The UN Comtrade Database provides a breakdown of export destinations. For the four main exporting countries that border the Black Sea, i.e. Russia, Ukraine, Romania and Bulgaria, about 100 destination countries are identified over recent years. In 2017, the Netherlands were the largest importer of corn from the region, receiving 10.2 percent of all reported exports. Other large importers in 2017 were Spain, Egypt, Turkey, Italy, China and Iran. The focus of the underlying reference of the proposed futures contracts is seaborne trade. The information provided on export destinations can be used to identify destinations where the mode of transport is likely to be by land, or in the case of Russian exports likely to take a route other than through the Black Sea. This analysis suggests that approximately 8 percent of exports can be identified in this way<sup>4</sup>.

Table 3 provides data on regional imports of corn.

**Table 3: Black Sea Regional Corn Imports**

Thousand Metric Tons

	2014	2015	2016	2017
Bulgaria	18.7	48.4	32.5	345.1
Georgia	56.4	69.1	68.2	78.6
Kazakhstan	6.4	21.7	0.1	0.1
Rep. of Moldova	0.0	0.5	1.1	0.3
Romania	447.2	1593.6	569.9	445.5
Russian Federation	6.2	5.1	6.0	13.3
Turkey	1422.1	1485.1	531.3	2,052.5
Ukraine	0.9	1.2	1.0	1.3
Total	1957.9	3224.7	1209.0	2,935.4

data source: UN Comtrade Database<sup>5</sup>

Consumption data for the region is not widely available. The USDA provides information on certain countries, as detailed in Table 4.

<sup>3</sup> See <https://comtrade.un.org/data/> using HS Code 100590

<sup>4</sup> Identified destinations include eastern European countries, and for Russia, countries bordering Russia in central and eastern Asia and countries in northern Europe.

<sup>5</sup> See <https://comtrade.un.org/data/> using HS Code 100590



**Table 4: Black Sea Regional Corn Consumption**

Thousand Metric Tons

	2014/2015	2015/2016	2016/2017	2017/2018
Georgia	350	350	350	350
Kazakhstan	575	650	710	810
Russia	8,100	8,700	9,900	8,700
Turkey	7,050	6,550	6,850	7,270
Ukraine	8,600	6,900	6,500	4,800
<b>Total</b>	<b>24,675</b>	<b>23,150</b>	<b>24,310</b>	<b>21,930</b>

data source: USDA, corn domestic consumption, data on an October-September local marketing year basis (September-August for Turkey, July-June for Kazakhstan)<sup>6</sup>

Given its geographical size and position, data for Russian corn must be examined more closely, to better identify the volumes that are relevant to the Black Sea region. The USDA provides a graphic showing the corn growing regions in Russia.

**Figure 2: Location of Russian Corn Production in 2016**



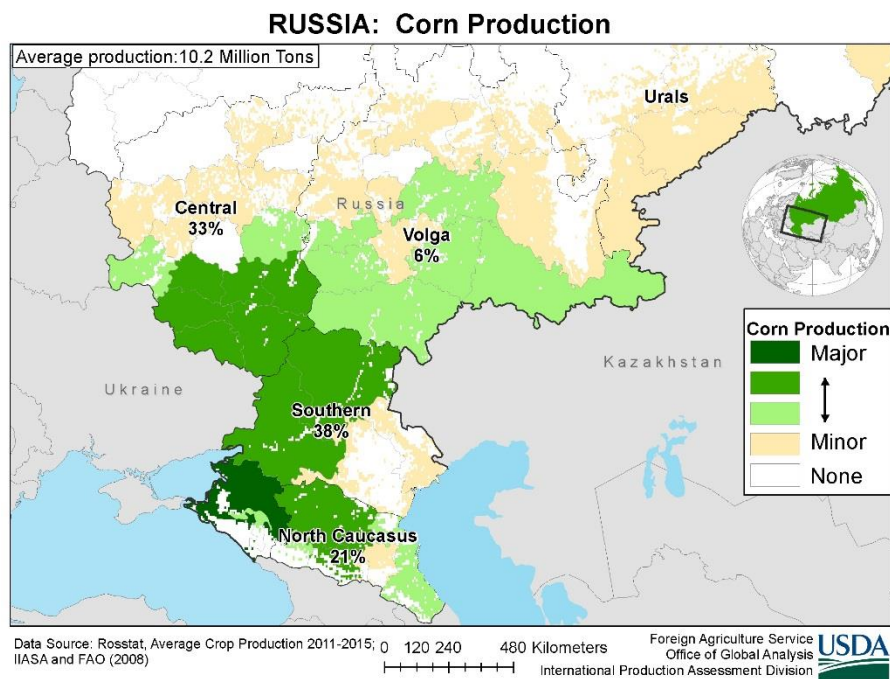
source: USDA<sup>7</sup>, darker colors indicate higher production.

<sup>6</sup> See USDA grains data at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads>

<sup>7</sup> See USDA publication: "Russian Federation Grain and Feed Annual 2017"

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual\\_Moscow\\_Russian%20Federation\\_4-14-2017.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Moscow_Russian%20Federation_4-14-2017.pdf)

**Figure 3: Average Russian Corn Production 2011-2015**



source: USDA<sup>8</sup>, darker colors indicate higher production.

It is clear that corn production areas are in close proximity to the Black Sea, and therefore all production is likely to be relevant for the Black Sea export market.

The contracts are cash settled with reference to a Platts price assessment for export cargoes of corn from the Black Sea, using Ukrainian ports as the pricing reference point. The Platts methodology notes that “Platts may also include, for assessment purposes, other Black Sea ports or CFR prices from relevant destinations, normalized to so called Ukrainian Panamax ports as basis, using prevailing spot freight rates”<sup>9</sup>.

The export market is facilitated by numerous local and international firms who procure corn from farmers, typically paying local currency, move it to a port and sell it into the international market. Trades into the international market are typically transacted in US Dollars on a per cargo basis. Cargo sizes vary from 3,000 ton coasters to 78,000 ton panamax vessels. Handysize vessels, with deadweight tonnage in the region of 28,000 metric tons are the most frequently used vessels in the export market. Each physical cargo parcel may be traded multiple times, in what is referred to as a string of back to back contracts. Corn is typically bought and sold on a spot basis, with the typical delivery term being 1 month to 6 weeks. Little or no long term deals are concluded in the market, and all cargoes are considered re-tradable. Large multinational firms are active on both the buy and the sell side, and are active in the spot market. Quotations for corn transactions are frequently priced as differential to the active CBOT Corn Futures price.

As an agricultural crop, there is a seasonal pattern to volumes. This pattern is dampened to an extent through the use of grain storage facilities to manage deliveries throughout the year. Harvest traditionally starts in October, with larger export volumes in the months that follow, and lower export volumes in the months leading up to October. The UN Comtrade Database provides export data on a monthly basis, however, data appears to be incomplete. Table 5 provides the monthly export data that is available.

<sup>8</sup> Source USDA [https://ipad.fas.usda.gov/rssiws/al/rs\\_cropprod.htm](https://ipad.fas.usda.gov/rssiws/al/rs_cropprod.htm)

<sup>9</sup> Platts Grains Methodology at <https://www.platts.com/methodology-specifications/agriculture>

**Table 5: Monthly Corn Exports**

Thousand Metric Tons

	Russia						Ukraine				
	2013	2014	2015	2016	2017		2013	2014	2015	2016	2017
Jan	137.8	407.7	109.4	273.5			1,636.90	2,509.80	1,894.70	1,676.00	2,312.10
Feb	147.1	423.3	302.7	688.7			1,431.30	2,514.40	2,216.20	2,369.90	1,811.70
Mar	116.4	593	444.3	668.9			1,469.90	2,714.60		2,365.70	3,125.10
Apr	181.6	388.3	465.2	676			1,318.50	1,391.60		2,041.00	
May	192	425.2	278.2	440.2			728.7	1,293.70		1,002.10	
Jun	140.6	133.3	306.3	198			741.9	308.1		919.7	
Jul	40	46.3	154.8				556.7	373.8		438.6	
Aug	23.9	15.2	29.9				28.2	87.3		136	
Sep	106.4	248.7	313.5				178.2	173.2		67.6	
Oct	242.4	276.8	356				1,304.10	1,274.60		1,354.80	
Nov	588.8	230.3	472.3				3,263.70	2,223.10		2,264.30	
Dec	681.8	299.1	462.8				4,062.20	2,683.50		2,647.40	
	Bulgaria						Romania				
	2013	2014	2015	2016	2017		2013	2014	2015	2016	2017
Jan	83.7	37.5	88.6	54	73.3		77.5	254.5	447.3	261.2	266.8
Feb	49.1	13	102.3	38.9	47.3		31.5	243.4	469.3	196.1	288.4
Mar	77.4	4.6	65.2	136.9	55.3		95.5	133	452.7	175.5	71.5
Apr	159.8	24	46.2	194.9	20.8		85.7	135.4	480.1	135.9	238.3
May	66.2	38.4	109.5	143.5	49.3		243.9	97.2	485.3		293.4
Jun	65.9	79.5	49	84.5	34		84	89.3		186.2	137.1
Jul	53.9	7.1	36.4	8	31.8		149.7				41.1
Aug	49.5	17.9	11.9	7.9			45.8				56.2
Sep	342.8	151	88.8	78.2				400.6		347.3	268.9
Oct	548.2	503.3	257.9	421.5				855.6		681.1	977.4
Nov	369.3	623.8	133	106.6				884.2	383.2	536.9	
Dec	237.1	328.3	185.9	43.3			471	406.4	413.3	394.2	

data source: UN Comtrade Database<sup>10</sup>

In Table 5, the data for Bulgaria is the most complete. For Bulgaria, August is the month with the lowest export volumes, with average level for August being at 16.3 percent of the average for all months in the data set (excluding 2017, for which data is incomplete). Bulgaria is also the smallest exporter in the group. A similar analysis for Romania suggests August has 17 percent of the average monthly volume, but with incomplete data. For Russia, for the years 2013-2015, August exports are 8.5 percent of the overall monthly average (excluding 2016 with incomplete data). For Ukraine, excluding the years 2015 and 2017 for which data is incomplete, August exports are 5.9 percent of the overall monthly average.

Table 6 shows average annual corn exports from the Black Sea region based on above data.

<sup>10</sup> See <https://comtrade.un.org/data/> using HS Code 100590

**Table 6: Average annual corn exports**

Thousand Metric Tons

	Bulgaria		Romania		Russia		Ukraine		Total	
	k MT	% of Avg	k MT	% of Avg	k MT	% of Avg	k MT	% of Avg	k MT	% of Avg
Jan	66	49%	261	86%	218	80%	1,941	136%	2,487	116%
Feb	51	38%	246	81%	291	107%	2,105	147%	2,693	126%
Mar	71	53%	186	61%	385	142%	2,183	152%	2,825	132%
Apr	106	79%	215	71%	345	127%	1,584	111%	2,250	105%
May	89	67%	280	92%	298	110%	1,008	70%	1,676	78%
Jun	70	52%	124	41%	193	71%	657	46%	1,044	49%
Jul	26	20%	95	31%	80	30%	456	32%	658	31%
Aug	22	16%	51	17%	23	8%	84	6%	180	8%
Sep	165	123%	339	111%	223	82%	140	10%	867	40%
Oct	433	323%	838	275%	292	107%	1,311	92%	2,874	134%
Nov	308	230%	601	197%	430	158%	2,584	180%	3,924	183%
Dec	199	148%	421	138%	481	177%	3,131	219%	4,232	198%
Annual Avg	134		305		272		1,432		2,142	

data source: UN Comtrade Database<sup>11</sup>

In all countries, August has the lowest export volume. Average August exports are 8 percent of the average monthly exports for the entire region. After August, the next lowest loading month is July, where average exports amount to 31 percent of the regional average, followed by September at 40 percent.

According to the Platts assessment methodology, Black Sea Corn cash market assessment is based on a loading window of 28 – 42 days forward. This means that physical exports occur one month after cash market trading activity.

---

<sup>11</sup> See <https://comtrade.un.org/data/> using HS Code 100590

## Analysis of Deliverable Supply Analysis Corn

For the Black Sea Corn futures contracts, in its analysis of deliverable supply, the Exchange has determined deliverable supply as the volume of exports of corn from the major exporting nations which border the Black Sea. These are Russia, Ukraine, Romania and Bulgaria.

Table 2 above provides gross data on corn exports. Export data is reduced by 8 percent in order to reflect exports that are likely shipped by seaborne vessels. With these reductions, adjusted exports volumes can be assessed as follows:

**Table 7: Adjusted Black Sea Regional Corn Exports**

Thousand Metric Tons

	2014	2015	2016	2017	Average 2015-2017
Bulgaria	1,682	1,082	1,213	910	1,068
Romania	3,340	4,658	3,112	3,425	3,731
Russian Federation	3,208	3,400	4,894	4,762	4,352
Ukraine	16,143	17,520	15,900	17,836	17,086
Total	24,373	26,659	25,119	26,933	26,237

data source: CME Group

The adjusted export volumes described in Table 6 represent the Exchange's assessment of deliverable supply. The average yearly total export volume for the three years 2015-2017 is 26.24 million metric tons. No adjustment is required to reflect long term supply arrangements in this market. No data on crop quality for corn is available, and no adjustment is made with respect to quality.

On a monthly basis, deliverable supply is assessed as 2.19 million metric tons using the 2015-2017 period. The contract size of the proposed new futures contracts is 50 metric tons. Deliverable supply is therefore equivalent to 43,733 contracts per month prior to applying a seasonality adjustment.

Based on export data for the entire year, the seasonality adjustment for exports during July and August are 8 percent of the average and the seasonality adjustment applicable to all other contract months is 40 percent of the average based on September exports, which are the third lowest after July and August. Due to the one-month lag between physical trade and loading, the contract months corresponding to July and August exports are the June and July contracts. Thus, staff recommends lower spot-month position limits (600 lots) for the June and July contracts and 3,000 lots for all other contract months.

The spot-month limits for the June and July contract months amount to 17.1 percent of the seasonally adjusted Deliverable Supply of 3,499 contracts (equal to 8 percent of 43,733 monthly contracts). The spot-month position limits for all other contract months also amounts to 17.1 percent of the seasonally adjusted Deliverable Supply of 17,493 contracts (equal to 40 percent of 43,733 monthly contracts).

Positions in the Black Sea Corn Financially Settled (Platts) Half Month Futures and positions in the Options on Black Sea Corn Financially Settled (Platts) Futures will continue to aggregate into the Black Sea Corn Financially Settled (Platts) Futures.